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Bosnia-Herzegovina

Organic Products

Agricultural Situation and Market Update

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Report Highlights:

Organic production in Bosnia and Herzegovina (BiH) is in the early stages of development with approximately 500 hectares and 60 producers and processors. Most of the production consists of grains, vegetables, fruits, medicinal herbs, and mushrooms. Organic production from wild forests makes up a significant share of total production. Imported organic food products can be found in major supermarkets, pharmacies and specialized stores with an estimated market share of around 0.1 percent. In order to develop the market and increase product sales, market promotions are essential.

Includes PSD Changes: No
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Overview

Organic production in Bosnia and Herzegovina (BiH) is in the early stages of development with approximately 500 hectare (ha) and 60 producers and processors involved in the sector. Most of the production is focused on grains, vegetables, fruits, medicinal herbs, and mushrooms with organic production from wild forests making up a significant share of total production. Overall, the organic sector is developing quickly with estimated annual growth at 20%.

Agriculturists believe that BiH has all the natural prerequisites for organic food production, but they also recognize the importance of the farmers' willingness to produce such a food, which requires special knowledge and long-term investment. However, there is no official policy or governmental support directed at this sector. However, foreign agencies, governments and non-governmental organizations have been active in supporting this sector. Currently, a project called the "Development of Organic Agriculture in B&H" is being supported by the Swedish International Development Agency (SIDA) and implemented by Grolink (a Swedish based consultancy). Project activities include developing a certification body and regulatory framework, marketing assistance, establishing an organic sector association, and developing public awareness. A non-governmental organization "ECON" is responsible for most of the groundwork for this project. The certification system is based on the Swedish "KRAV" system. A non-profit local organization Organska Kontrola (OK, meaning organic control) has been established to provide local inspection and certification service and has recently become an IFOAM (International Foundation of Organic Agriculture Movements) member. OK provides "KRAV" certification in the areas of crop production, wild production, bee keeping and processing, and is working on the accreditation for the "OK" organic mark by IFOAM (BiH organic standards have been developed and are in the process of being approved by IFOAM). Besides "KRAV", the Italian and English organic certifications are also present in the country. Another IFOAM member, "BETA" or Bosnian Environmental Technologies Association has been working with a number of foreign donors on developing the organic sector since 1996 (for more information is available at: <http://www.organska.ba>).

Market Profile

The organic market in BiH is almost nonexistent. There are several reasons for this with the dominant factor being the low purchasing power of the BiH population. It is estimated that only around 2.5 - 3 percent of the population with a monthly income over \$1,000 can afford to buy organic products that cost 20%-30% more than conventionally produced products. Also, most consumers believe that locally produced foods are similar to organic because of Bosnia's traditional agricultural practices and low level of chemical fertilizer and pesticide use. Therefore, consumers are unwilling to pay higher prices for certified organic products.

Although the organic market is currently undeveloped, organic food products (mostly imported) can be found in major supermarkets, pharmacies, and specialized stores. The range of products is tailored to serve consumers with special needs such as diabetics, vegetarians, babies/young children, people with nutritional disorders etc. The estimated market share of organic products is around 0.1 percent (according to BETA). Only a limited number of people buy these products because they are aware of the differences between conventional and organic food products and because they really want to consume organic foods. Market promotion has rarely been done for such products, and consumers are usually unaware of their quality. In supermarkets, organic products are generally mixed with conventionally produced products.

Market research done by BETA and Maletser (a German consultancy) in 2002 found the following:

- A lack of information about organic products; little or no promotion has been done to inform consumers on organic foods quality;
- Existence of a consumer base for organic products who are willing to pay 10%-30% higher prices;
- The profile of an average organic products consumer includes: women, between 25 and 55 years of age with a high school or university degree, married with children, having a monthly income of 200 – 350 KM (\$130 – \$230) per family member, and shopping regularly in supermarkets;
- Consumers' willingness to buy organic products is associated with healthier nutrition and higher quality products and not with environmental or social concerns;

"Vegafruit" from Mala Brijesnica is the only processing company certified for production of organic vegetable and fruit products (using "KRAV", the Swedish organic mark). There is also a company named Klas from Sarajevo that processes organic medicinal herbs and mushrooms. Klas is also developing retail sales of its organic products in specialized stores in Sarajevo. Conversely, a number of local processors produce so called "healthy foods" meaning traditionally produced food products that originate from unpolluted areas and contain no preservatives (i.e. wild forest berries jams and marmalades, pasteurized vegetable salads etc.). These products are not certified as organic, and there is almost no price difference between them and similar products. Producers find the organic certification process demanding and very costly. However, producers will sooner or later realize that certification is important, especially when it comes to export, and that organic certified products sell at higher prices than conventional.

Trade in Organic Products

Imported organic products have more than 90% market share. However, imported quantities are still insignificant, and there are few companies that import and distribute organic products to supermarkets and specialized stores. Products are mainly imported directly from EU member countries, but according to importers, a large portion is sourced from neighboring Croatia. The range of products includes "milk-free" soy drinks, tofu, soy pate, biscuits, various flours and meals, pasta, juices etc. Importers complain about high duties (e.g. there is an excise tax for all juices that make the final price of organic juices high and unaffordable for most consumers). Exports are minor because of the import licensing systems introduced by importing countries and due to the limited quantities that BiH offers. BiH does not require an import license for organic products.

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